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FY 1990 Assistance Programs for the Middle East and North Africa

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Following is a prepared statement presented by Edward S. Walker and A. Peter Burleigh, Deputy Assistant Secretaries for Near Eastern and South Asian Affairs, before the Subcommittee on Foreign Operations of the House Appropriations Committee, Washington, D.C., April 19, 1989.

We are pleased to appear before you to testify on our military and economic assistance programs in the Middle East and North Africa for fiscal year (FY) 1990.

The Middle East receives more U.S. assistance than any other area of the world, reflecting the vital interests we seek to promote and our effort to contribute to resolving some of the key problems of the region. Immediately after World War II, the largest portion of U.S. assistance was directed to Western Europe, and the results of the Marshall Plan went far beyond what even optimists could have imagined. From the 1950s into the mid-1970s, East Asia and the Pacific became the main focus for U.S. assistance. Despite some obvious setbacks, those countries achieved phenomenal economic growth in stable, pluralistic societies. We believe the assistance programs which the Administration has proposed in the Middle East and North Africa are contributing to similar long-term success.

We are already seeing the results of what our support has helped achieve. For example, on March 26, Israel and Egypt celebrated 10 years of peace. It is difficult to exaggerate what a dramatic effect this has had on the Middle East. In Afghanistan, the last Soviet combat troops departed on February 15. In the Persian Gulf, the cease-fire, which took hold in August 1988, ended the Iran-Iraq war and greatly reduced Iranian threats to international shipping in the gulf and to the moderate Persian Gulf states. In North Africa, we see reduced tensions and progress toward a settlement in the Western Sahara. And throughout the region, countries are adopting far-reaching political and economic reforms based on pluralism and greater freedom.

While the United States cannot take credit for all these developments, there is no doubt our assistance programs were an important factor in bringing them about. This willingness to maintain consistent policies, backed by significant resources, reflects a strong bipartisan consensus and close cooperation between the executive and legislative branches. And we will do all we can to continue this spirit of cooperation as we face the challenges ahead.

Arab-Israeli Conflict

Before discussing our programs in each country in more detail, I'd like to discuss two challenges which will demand the best efforts of both the legislative and executive branches. The first is the search for a lasting settlement of the Arab-Israeli conflict. Advancing the peace process is a major foreign policy priority of the Bush Administration. We were fortunate to have [Egyptian] President Mubarak and [Israeli] Prime Minister Shamir visit Washington earlier this month, and their visits provided points of departure for beginning the political process which we hope will lead to progress.

President Bush and Secretary Baker had extensive and warm discussions with both leaders. Egypt and Israel are key partners in our efforts to move the peace process forward. Egypt played a key role in urging PLO [Palestine Liberation Organization] Chairman Arafat to renounce terrorism, accept UN Security Council Resolutions 242 and 338, and recognize Israel's right to exist in peace and security—core issues in any negotiated solution of the Arab-Israeli conflict. Egypt is in a unique position to be helpful as the only regional state with ties to all parties involved. During his visit, Prime Minister Shamir suggested ideas for advancing the negotiating process, particularly the idea of using elections in the West Bank and Gaza to launch what he described as a "political negotiating process." The Prime Minister's ideas are encouraging.

Our basic goal has not changed. What we seek is a comprehensive peace through negotiations, based on UN Security Council Resolutions 242 and 338, providing for the exchange of territory for peace, the security of all states in the region, and the legitimate political rights of the Palestinian people. We believe that a properly structured inter-

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national conference to launch direct negotiations could be useful at an appropriate time to facilitate direct negotiations. However, we do not believe that now is the time for the United States, or any other outside party, to launch a high visibility initiative or plan for a conference. We believe it would distract the parties from the difficult decisions they need to make in order to move forward.

What we see as the immediate task at hand is to shape an atmosphere conducive to meaningful negotiations—ultimately, to bring Israelis and Palestinians together. This will require both sides to take steps to reduce tensions, to lower the level of violence, to begin a political dialogue, and to convince one another that the mutual goal is movement toward peace.

We will remain active and plan to work closely with all parties to develop ideas which have emerged from our discussions so far. We are pleased to welcome to Washington today King Hussein of Jordan. The King and his country have long been valued friends of the United States. We will also be holding discussions with the Soviet Union on the Middle East next month and continue our dialogue with the PLO in Tunis.

Toward Nonproliferation of Ballistic Missiles and Chemical Weapons

We also face another urgent challenge in the region—the spread of ballistic missiles and chemical weapons. This Administration has made clear that it is committed to seeking an end to the proliferation of these powerful, destabilizing weapons. Nowhere is this commitment of greater significance than in the Middle East.

The United States and six of its allies agreed in 1987 to establish a Missile Technology Control Regime in order to curb the uncontrolled supply of missile-related technology. The United States has also approached other supplier countries on a bilateral basis to express our strong opposition to the spread of ballistic missiles. We will continue to place this issue high on our agenda with all countries. But the spiraling race to acquire these systems and the rapid expansion of sources for technologically sophisticated missiles and missile technology make clear that supply controls will not alone stop proliferation. For that reason, the United States has also sought opportunities to initiate a dialogue with several states in the Middle East aimed at exploring these ideas for combating the spread of this destablizing technology through political approaches and regional initiatives.

The proliferation of ballistic missiles in the region is made even more ominous by the spread of chemical weapons (CW). The use of these weapons in the Iran-Iraq war and Libya's attempts to acquire full-scale CW production capability dramatically illustrate the need for concerted and energetic action. Our goal remains a comprehensive, effectively verifiable, and truly global ban on chemical weapons. We are working actively in such forums as the Geneva Conference on Disarmament. In the interim, we are confronting the immediate problem of CW proliferation on a number of fronts, focusing particularly on those countries which we believe to be the greatest threat to actually use these weapons.

The United States played a leading role in the 19-member Australia group, formed in 1985 in response to CW use in the Iran-Iraq war. The group seeks to harmonize export controls on CW precursors through the adoption of core and warning lists.

Within the U.S. Government, the State Department chairs an interagency group that acts to halt specific instances of foreign assistance to CW programs in Iran, Iraq, Libya, and Syria. This group works closely with the intelligence community to assure rapid evaluation of information and equally rapid policy action. It has already intervened successfully in several instances in blocking foreign assistance to CW programs.

The United States also launched a major diplomatic campaign aimed at ending critical foreign assistance to Libya's CW program. We will continue to strongly pursue this effort in order to ensure that our allies and others remain vigilant to Libya's attempts to acquire full-scale CW capability.

Secretary Baker recently proposed a government-industry conference to consider ways to prevent companies from inadvertently contributing to CW programs. Australia has agreed to host this conference, which should serve to focus world attention on the dangers of CW proliferation.

We are also engaged in a review of our own export controls to ensure that they are as strong and effective as possible. This includes consideration of controls on the export of technology, equipment, and expertise. This Administration is determined to make our own export controls on chemical weapons a model for all other countries.

Let me now turn to our military and economic assistance programs in the region.

Middle East

Israel. A fundamental premise of U.S. foreign policy has been support for Israel's security. Our links with Israel are broad and deep, based on shared values, common interests, and a commitment to democracy and freedom. In recent years, we have deepened institutional and commercial links which have reinforced traditional ties. These include such important areas of cooperation as: the Joint Political Military Group, which is concerned with strategic cooperation; the Joint Security Assistance Planning Group, which coordinates U.S. military assistance to Israel; the Joint Economic Development Group, focusing on economic issues; and the Free Trade Agreement, signed in 1985.

Our proposed assistance program for Israel in FY 1990 consists of $1.8 billion in foreign military sales financing (FMSF) and $1.2 billion in economic support funds (ESF), all provided on a grant basis. Our military assistance to Israel will focus on three areas: cash flow requirements associated with purchases of advanced fighter aircraft (F–15 and F–16), financing the Israeli-produced Merkava tank, and the naval modernization program. Within the $1.8 billion total for military assistance, we are providing additional benefits to Israel; $400 million is authorized for offshore procurement expenditures in Israel and $100 million in directed offsets (mandated purchases of Israeli defense articles by the United States).

Two other programs will provide significant resources to Israel. Under the Fair Pricing Initiative, passed last year, Israel will save $90 million in costs associated with the purchase of F–16 aircraft. The United States will also provide Israel $120 million for joint research under the Arrow antiballistic missile research program, a part of SDI [Strategic Defense Initiative] research.

Our economic assistance of $1.2 billion in ESF is also important in supporting economic stability and structural reform. In 1985, Israel faced soaring inflation, a huge government budget deficit, and rising unemployment. Thanks to far-reaching economic stabilization measures and U.S. economic assistance, Israel, by 1987, was able to reduce inflation to 16% and re-

sume economic growth. In January 1989, Finance Minister Peres announced a package of economic measures to improve prospects for growth and reduce inflation, including a 13.4% devaluation of the shekal, a virtual no-growth budget, tax reduction, and continued reform of the capital market.

Israel uses U.S. economic aid to repay FMS [foreign military sales] loans made by the United States to Israel prior to 1985 and for some commodity imports. In 1988, Israel refinanced $4.75 billion in FMS loans under FMS debt reform legislation, resulting in debt service savings of approximately $150 million annually over the next 5 to 10 years.

Egypt. A strong, stable Egypt is central to U.S. strategic interests in the Middle East. Egypt's leadership in the Arab-Israeli peace process, its influence as a force for moderation in a turbulent region, and its support for peaceful resolution of regional conflicts are all congruent with U.S. values and objectives. The broad-based bilateral relationship we enjoy today with Egypt is due in no small part to the breadth of our economic and security cooperation efforts over the past decade.

Egypt remains fully committed to peace and to a stable bilateral relationship with Israel. Over the past year, Egypt has regained its central position in the Arab world; all but three Arab states have reestablished diplomatic relations with Cairo. Most important, Egypt has made no concessions to regain its position in the Arab world—a clear signal that a commitment to peace can yield solid political dividends.

Internally, Egypt's most pressing problem remains the economy. Egypt's budget and balance-of-payments remain deeply in deficit. Debt rescheduling benefits expired in June 1988, and arrears on external debts are mounting steadily. The balance-of-payments picture is especially troubling, with higher world grain prices, debt service, and lower oil proceeds combining to squeeze available foreign exchange resources.

Within the last few weeks, the Government of Egypt has outlined a series of reform measures which touch on almost every sector of the economy and which, taken together, are an important indicator of Egypt's awareness that all sectors need reform and that adjustment is a comprehensive process. We believe that this program represents an important step in the right direction and deserves our support. The Egyptian Government can certainly build on it as it constructs a complete economic reform program to provide sustained economic growth. Reaching that goal will require further steps by the Egyptians in the coming months and years. For example, they will need to continue to reduce the budget deficit and to continue with the steps they have taken to bring energy and food prices in line with international standards.

We are also continuing to encourage Egypt to consolidate these reform efforts into a program that can command the broad support of the IMF, [International Monetary Fund], the World Bank, and the Western donor community. A new IMF program could then pave the way to another debt rescheduling which would provide critical relief to Egypt's balance of payments.

For FY 1990, the Administration is requesting a total of $2.3 billion in combined military, economic, and food assistance to Egypt. These levels—while high in an era of scarce resources—are vital to help meet Egypt's most urgent security and economic requirements, thereby supporting important U.S. goals and interests in the region.

Our FMSF request of $1.3 billion in grant assistance will permit the Egyptians to continue to meet their urgent military modernization needs. Designed to facilitate Egypt's replacement of aging, obsolete Soviet equipment with fewer but better quality U.S. items, the modernization program has focused heavily on armor and air requirements.

Our $815 million ESF request for Egypt balances support for Egyptian economic stabilization and development objectives. For balance-of-payments support, we plan to allocate a portion of our ESF program in the form of a cash grant. In addition, our commodity import program will provide balance-of-payments support by funding imports of American manufactured goods and other commodities. The remainder of our ESF will be assigned to project and sectoral programs designed to promote growth-oriented development in the productive sectors of the economy. We will also recommend $160 million in PL 480 food aid for Egypt in FY 1990.

As you know, our plans for disbursing cash transfer assistance from FY 1988 and FY 1989 have received a great deal of attention in recent weeks. We have agreed that U.S. cash transfer assistance will be available to support implementation of the reform measures the Government of Egypt discussed with us before and during the Mubarak visit. We plan to continue our close communications with the subcommittee as we move toward disbursing these funds. At the same time, we believe it is vitally important for our bilateral relationship with Egypt that we have the capacity to respond flexibly to Egypt's needs. Accordingly, we urge the subcommittee to remove existing restrictions on cash transfer assistance to Egypt in the FY 1990 legislation.

Jordan. The last 15 months have seen a dramatic change in the way that King Hussein has been moved to react to the Palestinian problem. The *intifada*, or "uprising," which began in December 1987, significantly altered Jordan's relationship with the West Bank and its Palestinian population. Jordan's links, which were mainly with the pre-1967 traditional leadership, became increasingly tenuous as the youthful leadership of the uprising consolidated its position.

In July 1988, King Hussein took what he has called a "tactical step" in the peace process by placing the burden to perform in the peace process on the PLO. In doing so, he did not opt out of the peace process with Israel. With the longest border of any state with Israel, Jordan must participate in this effort. Indeed, peace and security are in Jordan's vital interest and it remains a critical factor in the peace process.

Jordan's importance to the United States, however, goes well beyond the peace process. The United States shares strategic interests with Jordan, which has consistently acted as an important force for moderation and stability in the Middle East. Jordan plays a vital role in the effort to curb worldwide terrorism, preventing use of its territory as a base for raids on Israel and courageously opposing support by other Arab states for extremist groups.

The United States and Jordan have had a special military-to-military relationship for many years. That relationship has declined since the demise of the 1985 Jordan arms sale, which would have provided F–16 fighters for Jordan's air defense. Assistance from the United States has been sharply reduced; there is no U.S. military equipment in the pipeline for the first time in many years. Despite problems in our relationship, good will remains strong, but it is not an inexhaustible reserve.

Jordan's economy is in serious difficulty. It has been hard hit by recent cuts in subsidies from gulf governments as well as reductions in remittances from Jordanians working abroad. It is now suffering a foreign ex-

change crisis of major proportions. It particularly needs economic assistance this year to surmount these problems, and we have accordingly requested $35 million in ESF for FY 1990.

The Jordanian Government has responded to these economic problems with strong and sound initiatives, implementing austerity measures, curbing domestic spending, and privatizing many state-owned firms. Jordan recently signed a letter of intent with the IMF, which should lead to a standby agreement in the next several weeks.

These economic difficulties come just as U.S. aid to Jordan has declined sharply. Our military assistance to Jordan averaged $68 million annually over the last decade, reflecting our concern for the security of Jordan, its contribution to the peace process, and shared strategic interests. Last year (FY 1989), we requested $48 million in FMS credits for Jordan to provide spare parts for U.S. equipment already in Jordan's inventory and other urgently needed supplies. The request included no new weapon systems.

Regrettably, at the end of the FY 1989 security assistance allocations process we were able to provide only $10 million in FMS credits to Jordan. This level does not support our interests in Jordan and, if continued, would not allow us to pursue the important cooperative efforts in which we have been involved.

We are convinced no one in the executive or legislative branches wanted this result. And we realize that this is only one dramatic example of the problem we face as we try to fund high-priority programs while remaining within reduced budget levels. We hope that in the course of discussions in the months ahead, we all bear in mind the case of Jordan and work to avoid a similar result in FY 1990.

West Bank and Gaza. The unrest in the West Bank and Gaza is a vivid reminder that the future status of the Occupied Territories and the 1.6 million Palestinians who live there are at the center of the Arab-Israeli conflict. Our assistance program in the West Bank and Gaza began in 1975 with strong congressional support. The Palestinians, Israel, and Jordan have welcomed the program. Unemployment and underemployment cause hardships and contribute to instability and violence. Over the medium term, economic development and self-reliance can give Palestinians a larger stake in a peace settlement and encourage moderate forces within the Palestinian community.

Notwithstanding the current difficulties, we remain committed to fostering economic development in the territories and improving living conditions there, largely through grants to private voluntary organizations (PVOs) such as Catholic Relief Services, Save the Children Federation, and American Near East Refugee Aid.

For FY 1990, we are requesting $12 million in ESF for these activities in the territories. This will fund projects to improve health, water, and sanitation; to develop agricultural credit and private-sector activities; and to construct schools and roads. PVOs have continued to operate and administer projects despite the disturbances. The Palestinians, Israel, and Jordan all want us to continue and to expand the program.

The U.S. program represents our commitment to a secure future for the Palestinians and all states in the region. It is important to our efforts to engage moderate Palestinians and Arab governments to build on what has been achieved since the Camp David accords.

Lebanon. We remain deeply concerned about the deteriorating conditions in Lebanon. Partition has deepened, especially after parliament's failure last September to elect a new president. Two cabinets have formed: one in Christian East Beirut, led by Lebanese Army Gen. Michel Awn; the other in Muslim West Beirut, led by Dr. Salim al-Huss. For much of the past 6 months, the two cabinets have been grappling with the problem of control over institutions of the central government.

The situation is now acute. Fighting has been continuing since March 14 among the Lebanese Armed Forces under General Awn, Syrian Army units, and Muslim militias. Civilian casualties have mounted. The proximate cause of the fighting is a dispute over the right of central government authorities to close down illegal ports set up by the militias.

We back the efforts of the Arab League ministerial committee to arrange a stable cease-fire and to address the problems underlying the violence, including the withdrawal of all foreign forces. We have called on all parties of the dispute to cooperate with the Arab League's committee, and we remain ready to assist the league in its efforts. The suffering of innocent Lebanese civilians has continued far too long, and Lebanon's unity, peace, and stability must be restored.

The United States remains committed to the restoration of Lebanon's unity, sovereignty, and territorial integrity and the withdrawal of all foreign forces, including Syrian forces. Toward those ends, we support the election of a consensus president who is dedicated to national reconciliation and to the immediate implementation of political reform. We believe the fighting last month in East Beirut, between the Lebanese Armed Forces and the Lebanese forces militia, further demonstrates the urgent need to restore Lebanon's legitimate national institutions.

Economic conditions in Lebanon are desperate. Inflation has moderated, but unemployment remains high; perhaps a third of the population regularly receives humanitarian relief, including food assistance. In FY 1989, the United States will help feed approximately 135,000 needy Lebanese families through the PL 480 Title II program. Our modest $2 million ESF program in FY 1990 will help meet the operational costs associated with the relief and rehabilitation activities of private voluntary organizations.

Southwest Asia and the Persian Gulf

The Persian Gulf and southwest Asian region is vital to U.S. and Western economic and strategic interests. One of the top priorities of the United States and its allies must be to help assure that the moderate and friendly states of the region remain free from hostile influence and intimidation.

Over the past year, we have seen major changes in this part of the world. Iran's inability to continue the war and the cease-fire in the Iran-Iraq war have reduced the danger of Iranian threats to the gulf states. The end of the Soviet occupation of Afghanistan removes Soviet forces from a position from which they could more easily have intervened in the gulf littoral and threatened lines of communication vital to the West. The willingness of the United States to stand by its commitments in the region was a major factor in bringing about the cease-fire in the Iran-Iraq war and the Soviet withdrawal from Afghanistan.

While we have made a major contribution to security and stability in the Persian Gulf and southwest Asia, challenges remain. For example, Iranian threats during the war highlighted for Arab gulf states the im-

portance of maintaining a strong self-defense capability. This need continues, and we are working closely with them to take appropriate measures.

Our relationships with the moderate states of southwest Asia and the Persian Gulf are increasingly complex with political, military, diplomatic, and economic dimensions. I think this will be evident as I discuss our relations with the countries in the region under review today—Oman and the Yemen Arab Republic.

Oman. Oman is one of the most durable and stable friends of the United States in the Middle East. It resisted the regional tide in the late 1970s and 1980s when it supported Egypt's adherence to the Camp David accords. The access agreement that we concluded with Oman in 1980 became the keystone of U.S. strategy for the protection of the Persian Gulf, and it was critically important to U.S. military activities in the gulf over the past 2 years. Without Oman's cooperation under the access agreement, which allows U.S. military access to certain facilities in Oman under contingency conditions, U.S. Central Command strategy and operations would have been severely constricted.

The access agreement has served both Omani and U.S. interests, cementing a closer bilateral relationship and an extensive dialogue. Oman, a nation of only 1.5 million inhabitants, faces serious threats from its neighbors and values greatly the security offered by its relationship with the United States. Iran lies just across the Strait of Hormuz, and the Iran-Iraq war put all gulf Arab states on notice of Iranian ambitions. The Soviet supported People's Democratic Republic of Yemen (South Yemen) aided a Marxist secessionist movement in Oman's southern region in the 1960s and 1970s, and skirmishes took place along the Oman/South Yemen border as recently as November 1987.

U.S. economic assistance to Oman, in the form of ESF, began with the access agreement in 1980. ESF was $20 million in 1985, but it has dropped in subsequent years. Our FY 1990 request for Oman includes $20 million in ESF and $100,000 in IMET [international military education and training program]. Oman views this economic assistance as an integral component of the agreement and of the relationship. The 10-year agreement is due for review in 1990, and economic assistance will be an important element of the review process.

Oman is a modest oil-exporter, but its economy is almost entirely dependent on the petroleum industry. The fall in oil prices in 1985–86 sent the Omani economy into a recession which has deepened with each passing year. Our assistance is aimed at helping Oman to diversify its economy and strengthen commercial links with the United States, with emphasis on the management of fisheries and scarce water resources.

Yemen Arab Republic. Our FY 1990 request for the Yemen Arab Republic (North Yemen) includes $2 million of FMSF on a grant basis, $1.1 million for IMET, $5 million in PL 480 food aid, and $21.15 million in development assistance.

The Yemen Arab Republic occupies a strategic location at the southwest corner of the Arabian Peninsula, between Saudi Arabia and South Yemen. A stable North Yemen—able to defend itself and increasingly meet the needs of its people—is important to peace and stability in this key region at the southern end of the Red Sea.

The relationship between North and South Yemen, although showing recent signs of improvement, remains fragile and unpredictable. North Yemen has been threatened in the past decade by direct attacks and attempts at subversion from the south. The leadership in Aden continues to be firmly tied to the Soviet Union, which has rearmed South Yemen since the destruction caused by the 1986 coup.

The Yemen Arab Republic is one of the poorest and least developed countries in the Middle East. The U.S. firm Hunt Oil discovered oil in 1984, and the country joined the ranks of the petroleum-exporting nations in late 1987. Neither exports nor reserves are large, however, and the government's income from oil exports has not been enough to compensate for continued declines in worker remittances and Arab donor aid. This situation—combined with a large, rapidly growing population and serious lack of infrastructure—means that the Yemen Arab Republic will remain heavily dependent on outside assistance as it works to improve the lives of its citizens and become economically self-sufficient.

The U.S. security assistance program, while small, supports equipment previously provided and offers an alternative to Yemeni dependence on the Soviets. Despite its size, our program enjoys a high-profile within the Yemeni military, and U.S. equipment and assistance are frequently compared favorably against Soviet equipment and assistance. The FMSF funds requested for FY 1990 will be used to maintain U.S.-origin equipment and support the training needed for effective operation of the equipment. The Yemeni Government also is concerned about the U.S.S.R.'s position in any future crisis involving South Yemen, given the large Soviet investment in its Marxist ally. U.S. assistance, complemented by longstanding cooperative assistance programs with Saudi Arabia, provides assurances that North Yemen has other friends who will assist with the defense it needs.

North Africa

North Africa is a region of key importance to the United States. Forming the southern littoral of the western Mediterranean, it is vital to the security of southern Europe and to U.S. communications in the Mediterranean.

The North African nations, though differing in political systems and history, face the challenges of rapidly increasing populations, rising expectations, and burdens of external debt. All seek to implement reforms under difficult circumstances. Our assistance programs support orderly economic restructuring, promote regional stability, and provide markets for U.S. exports. Our FY 1990 assistance requests are designed to support these policy aims within the limits of budgetary stringency.

The last year has seen significant developments in North Africa. Algerian-Moroccan rapprochement has changed the regional picture from conflict to cooperation. Algeria, Libya, Mauritania, Morocco, and Tunisia announced on February 17 the formation of the Arab Maghreb Union, an association modeled on the European Community.

There has also been progress on the Western Sahara. After the restoration of diplomatic ties between Algeria and Morocco, Morocco and the POLISARIO [Popular Liberation Front for Rio de Oro and Saguia El Hamra] agreed to accept a plan put forward by UN Secretary General Perez de Cuellar for holding a referendum to decide the future of the territory, although details are still to be worked out. A UN special representative is now working with the parties. In early January, [Moroccan] King Hassan met in Marrakesh with POLISARIO representatives.

While much effort will be required to sustain current levels of progress toward regional conciliation and cooperation, the United States is encouraged by recent developments and believes they can lead to enhanced stability and development in North Africa.

Libya remains a negative factor. While we are supportive of cooperative regional arrangements, we are not convinced that Libya's inclusion will benefit regional stability. According to our assessment, Libya continues its support for international terrorism and subversion. And, as discussed above, we are particularly worried by evidence that Libya has developed a chemical weapons capacity at its Rabta facility.

Morocco. The United States and Morocco have a historic friendship based on shared interests, cooperation, and mutual respect. King Hassan consistently uses his prestige as an Arab and Islamic leader to support moderate approaches to regional problems. Morocco makes important facilities available to the United States, including transit rights for U.S. aircraft, a site for a VOA [Voice of America] transmitter, and an emergency landing field for the space shuttle.

Morocco is making good progress on its economic problems and has reduced its current account and public-sector deficits. Longer term reforms, including privatization of public enterprises, are being debated and implemented. The results last year—real growth of 9%, low inflation, and a current account surplus—were encouraging.

Continuing challenges remain, including unemployment and underemployment, an external debt burden, and population growth. Our economic and food assistance is designed to increase growth, improve food production, promote family planning, and improve natural resource management.

Our FMS and IMET requests will help sustain existing inventories of U.S. equipment in the context of a longstanding defense cooperation relationship.

Tunisia. Our historic friendship with Tunisia remains strong. Under President Ben Ali, Tunisia is making an extraordinary effort to revitalize itself as a pluralistic, open society.

Since 1986, Tunisia has implemented a comprehensive economic reform program to deal with a crisis which had been building for years. There has been real progress, with Tunisia meeting all key targets of a IMF/World Bank structural adjustment program. In 1988, however, the worst drought in memory, followed by a locust invasion, caused serious crop damage and added to normal strains associated with an austerity program.

The U.S. response is to underline support for Tunisian security and development. Our assistance now bolsters economic reform and private-sector promotion, in line with what the Tunisian Government itself is trying to do. Recognizing Tunisia's special need, our FY 1990 request asks for a slight increase over FY 1989.

Our military assistance request for FY 1990 will provide spare parts, maintenance, and training to support recent equipment purchases.

Algeria. U.S. relations with Algeria have steadily improved since 1981 as Algeria has diversified its international relationships. Algeria's role in obtaining the release of American hostages, Vice President Bush's trip in 1983 to Algiers, and the U.S. visit of President Bendjedid in 1985 have been milestones.

An expanding population, rising expectations, and dependence on hydrocarbons are problems for Algeria. Growing frustrations over high prices, unemployment, and shortages of basic commodities came to a head in October with rioting in urban centers. The government of President Bendjedid is moving to carry out a program of economic and political liberalization.

The United States seeks to support Algeria's reform effort in various ways under existing budgetary constraints. In addition, we seek to expand economic and commercial cooperation and to redress a trade imbalance heavily favoring Algeria by increasing sales of U.S. goods and services. Algeria is already an important customer of U.S. agricultural commodities. We propose to continue our modest military relationship to encourage Algeria's effort to diversify sources of military supply and training. ■

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